Cooperative Extension Service

WEEKLY OUTLOOK

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HAS THE WEATHER MARKET STARTED?

Corn and soybean prices continued to move higher during the week ended March 17. Cash prices were at the highest level of the marketing year; December corn futures established a new contract high at $2.635; and November soybean futures traded as high as $6.14, the highest level since last June and $.40 above the lows of early February. The advance in corn prices is coming at a time when reporting (large) speculators already hold very large long positions in the futures market. The March 17 Commitment of Traders report shows those traders net long 510 million bushels. Higher soybean prices have occurred in the face of prospects for a record South American soybean harvest, prospects of large year-ending stocks in the United States, and projections by a prominent private analyst that U.S. soybean acreage will not decline significantly in 1995. Large commodity speculators generally held short positions in the soybean futures market during the winter months, recently liquidated those positions and now appear to be establishing long positions in the market. The Commitment of Traders report released on March 17 showed large speculators net long 30 million bushels.

Traders have become more friendly to the soybean market on the basis of a weaker U.S. dollar, seasonal tendencies for prices to move higher into the spring months, and by continued large export sales. As of March 9, soybean exports totaled an estimated 538 million bushels. Undelivered sales were estimated at 182 million bushels, so that export commitments stood at 720 million bushels. Those commitments represent nearly 92 percent of the USDA's projection of exports for the year. With 25 weeks left in the marketing year, new sales of only 65 million bushels are required to bring the total to the 785 million projection. That is an average of only 2.6 million bushels per week. Sales during the week ended March 9 totaled 23 million bushels. It is likely that some of the U.S. sales will be canceled as the South American crop is harvested, but it also appears that exports may exceed the current projection.

Prices of corn and soybeans were also supported by the National Weather Service 90 day forecast which suggested below normal precipitation in parts of the corn belt in May and June. April is expected to bring normal precipitation levels. It is interesting that a similar pattern last year set the stage for record yields and production. The market will apparently react early and often to any adverse weather scenario this year.

Weather markets are obviously difficult to predict, but typically do offer excellent pricing opportunities for both old and new crop corn and soybeans. Until weather and crop prospects

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become more clear, the upside potential on soybean prices will likely be limited by large world supplies. Price patterns since 1988 suggest that soybean futures (July and November) would run into resistance in the $6.40 to $6.60 range. The next few weeks, then, should provide a window of opportunity to price another increment of old crop soybeans and get a good start on new crop sales.

The corn market is not as burdened with large supplies and planted acreage will decline in 1995 so that weather and yield prospects will be very important. The current level of corn prices look attractive for additional sales, but the calendar says be patient (although prices did peak in March in 1992 due to very early weather concerns). A strategy of completing old crop sales in equal increments over the next 10 to 12 weeks should capture the spring weather market. December corn futures appear to be set to make a run at $2.75 yet this spring. The window of time from now through mid-June and the price window of $2.60 to $2.80, basis December futures, should be considered for significant new crop sales.

While the seasonal tendency is for higher corn and soybean prices, wheat prices typically continue a seasonal decline into harvest. July futures at Chicago established a contract high of $3.6375 on September 23, 1994, declined to $3.25 on march 13, 1995 and closed at $3.3575 on March 17. With continued good progress of the winter wheat crop, a small increase in spring wheat acreage, and an increase in Canadian wheat acreage, July futures could test the $3.00 level. Price recovery from the harvest lows has been large the past three years.

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